



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 18, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank  
Charter Number 11700**

**1500 North Fabens Road  
Fabens, Texas 79838**

**Comptroller of the Currency  
San Antonio North Field Office  
10101 Reunion Place Boulevard, Suite 402  
San Antonio, Texas 78216-4605**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

First National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loans are in the bank's assessment area.
- The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

## DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a \$186 million financial institution. The bank is headquartered in Fabens, Texas, and has five branches in and around El Paso. First Fabens Bancorporation Inc. owns 100% of FNB's common stock. The one-bank holding company is locally owned. The bank owns one automatic teller machine, located at one of the bank's El Paso branches. FNB is a full service bank. It offers traditional loan products with a focus on commercial lending. FNB opened one of its El Paso branches in February of 2001. The bank neither opened nor closed any other branches during the assessment period. At the prior CRA examination dated March 15, 1999, a Satisfactory rating was assigned. There are no legal or financial factors impeding the bank's ability to help meet the credit needs of the assessment area.

As of June 30, 2003, net loans represent 61% of the bank's total assets. A summary of the loan portfolio is shown below.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	74,742	61%
Commercial Loans	36,986	31%
Residential Real Estate Loans	7,268	6%
Consumer Loans	2,788	2%
<b>Total</b>	<b>121,784</b>	<b>100%</b>

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes the El Paso Metropolitan Statistical Area (MSA). The El Paso MSA included all of El Paso County and block numbering area 9501 of Hudspeth County. Of the 96 tracts in the assessment area, 8 are designated low-income, 28 are moderate-income, 34 are middle-income, and 26 are upper-income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Fabens is a small community in El Paso County with a population of approximately 6,000. Fabens is located 20 miles southeast of El Paso. Fabens serves as a bedroom community of El Paso. Its economy is heavily reliant on that of El Paso. The city of El Paso has a population of approximately 565,000. The economy is reliant on international trade with Mexico. Fort Bliss, an Army base, is one of the area's largest employers. Competition in El Paso comes from three locally headquartered banks and several credit unions. Branches of national banking chains, including Bank of America and Wells Fargo, and of area banks, such as International Bank of Commerce and State National Bank of Lubbock, also provide competition.

Of all families living in the assessment area, 23% are low-income, 17% are moderate-income, 19% are middle-income, and 41% are upper-income. The following table provides more information on the assessment area.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Persons	593,599
Number of Families	144,623
Number of Households	179,191
<i>Geographies</i>	
Number of Census Tracts/BNA	96
% Low-Income Census Tracts/BNA	8.33%
% Moderate-Income Census Tracts/BNA	29.17%
% Middle-Income Census Tracts/BNA	35.42%
% Upper-Income Census Tracts/BNA	27.08%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$26,118
2002 HUD-Adjusted MFI	\$36,297
<i>Economic Indicators</i>	
Unemployment Rate	4%
2002 Median Housing Value	\$58,880
% of Owner-occupied Properties	56%
% of Households Below Poverty Level	22%

We contacted the El Paso Hispanic Chamber of Commerce. The contact identified small business loans as the area's primary credit need.

## SAMPLING/COMPARISON INFORMATION

Our review focused on the bank's primary product line: commercial loans. We selected a sample of commercial loans made since the previous CRA examination. For the purpose of our evaluation, we combined commercial and commercial real estate loans into one sample. We also reviewed the bank's record of residential real estate lending. We used the bank's Home Mortgage Act Loan Application Register to compile information regarding FNB's residential lending.

In evaluating the bank's loan-to-deposit ratio, we compared FNB to the other three banks that are headquartered in the bank's assessment area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The table that follows shows how FNB's quarterly average loan-to-deposit ratio compares to the ratios of the three other banks headquartered in the assessment area. Since the previous CRA examination in March of 1999, FNB's quarterly average loan-to-deposit ratio is 65%. This ranks FNB the second highest out of the four area banks.

Institution	Assets as of 6/30/03 (000's)	Average LTD Ratio
First National Bank	184,732	65%
Capital Savings Bank	51,799	66%
Bank of the West	518,294	58%
United Bank of El Paso del Norte	38,065	44%

### Lending in Assessment Area

A substantial majority of loans are in the bank's assessment area. FNB made 92% of all loans reviewed in the assessment area, including 96% of the number of commercial loans and 91% of residential real estate loans. Loans made in the assessment area represent 96% of the dollar volume of all loans reviewed. The following table shows FNB's record of lending in the assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	24	96	7,322	97	1	4	260	3
Residential	87	91	1,968	95	9	9	111	5
Total Reviewed	111	92	9,290	96	10	8	371	4

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. FNB's record of lending to businesses with gross annual revenues less than \$1 million is comparable to the demographics of the assessment area. The bank made 75% of the 24 commercial loans sampled to businesses with gross annual revenues of less than \$1 million. The following table shows FNB's record of commercial lending.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	75	25
% of Bank Loans in AA #	75	25
% of Bank Loans in AA \$	61	39

FNB's record of residential lending to low- and moderate-income borrowers exceeds the demographics of the assessment area. FNB made 30% of the residential real estate loans made in the evaluation period to low-income borrowers. Only 23% of the families in the assessment area are low-income. Seventeen percent of the families in the assessment area are moderate-income. FNB made 22% of its residential real estate loans to moderate-income borrowers.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
	% of Number	% of Amount						
% of AA Families	23		17		19		41	
1999 to 2003	30	6	22	17	21	13	27	64

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. FNB's record of lending to commercial borrowers in moderate-income census tracts is strong. The bank made 60% of the sampled commercial loans to businesses located in moderate-income census tracts. Only 23% of all businesses in the assessment area are located in moderate-income areas. The bank's record of commercial lending in low-income areas is reasonable and comparable to the percentage of businesses located in those areas. The following

table reflects FNB's record of commercial lending by geographic income level.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	9		23		35		33	
	% of Number	% of Amount						
1999 to 2003	8	18	60	29	20	38	12	15

FNB's record of residential lending in moderate-income areas is strong. The bank made 49% of its residential real estate loans in moderate-income census tracts. Twenty-three percent of owner-occupied residential real estate is located in those tracts. FNB made none of its residential real estate loans in low-income census tracts, but this is understandable as a very small percentage of owner-occupied residential properties are located in low-income census tracts.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	2		23		39		36	
	% of Number	% of Amount						
1999 to 2003	0	0	49	20	36	45	15	35

### Responses to Complaints

FNB has not received any complaints or public comments regarding its CRA performance during this evaluation period.

### Fair Lending Review

An analysis of 1999 through 2003 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1999.